

## ROUTING AND RECORD SHEET

SUBJECT: (Optional) Proposed Increase of Dollar Value Expendability Criteria for  
Property Accounting

DD / S REGISTRY  
FILE 8455

FROM: Director of Logistics  
1227 Ames Bldg.

EXTENSION

NO.

☐

DATE

20 MAR 1970

STAT

TO: (Officer designation, room number, and  
building)

DATE

RECEIVED

FORWARDED

OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom  
to whom. Draw a line across column after each comment.)

1. TO BE HANDCARRIED -  
CALL EXTENSION ☐ STAT

2. Director of Finance  
616 Key Bldg.

3/23 *[Signature]*

Concurrence

3. Chief, Audit Staff  
1201 Key Bldg.

3/23/70

*[Signature]*

For information

4. Deputy Director for Support  
7D18 Hqs. Bldg.

28 April *[Signature]*

Approval

5. OL/SD  
1227 Ames Bldg.

4 to 5:

STAT

Seems to me a policy such as  
this should be stated in Agency  
Regulations.

7.

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OL 0 1425

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70-1217

21 MAR 1980

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Proposed Increase of Dollar Value Expendability  
Criteria for Property Accounting

1. This memorandum contains a recommendation in paragraph 6 for the approval of the Deputy Director for Support.
2. Based on required reductions of personnel at overseas installations resulting from BALPA and OPRED directives, accounting procedures for Agency property have been reviewed from the viewpoint of reducing accounting man-hours and paperwork to an essential minimum.
3. This recommendation, supported by the attached study, proposes a revision of this Agency's criteria for establishing item expendability for the purpose of formal financial property accounting for property in use. A study of property expendability criteria used by other Federal agencies revealed that each agency and service formulates its own policy tailored to their particular need. The Government Accounting Office recognizes the need for establishing a minimum dollar value for accountable property but leaves the determination of the level to each agency or service because of their varying needs. While at variance, the trend is toward a \$200 expendability concept.
4. The significant point supporting this change is that formal accountable property records will reflect a 49 percent decrease in line item records and in the corresponding processing of documentation including financial property records with only a 13 percent decrease in monetary value reflected in our property in use records. This 49 percent reduction in formal recordkeeping should represent a marked contribution towards reducing the administrative workload at field installations.

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**SUBJECT: Proposed Increase of Dollar Value Expendability  
Criteria for Property Accounting**

5. This revision in expendability criteria will not result in any decrease of attention by field personnel in discharging their responsibilities of protecting and maintaining control of Government property. Procedural instructions which will be issued to implement this proposal will place great emphasis on the need for proper discharge of personal responsibilities in the handling and control of Government property including those items which, as a result of this change, will be deleted from formal financial property records.

6. It is recommended that the Agency's current policy relative to the determination and establishment of item expendability criteria be revised to eliminate from formal property accountability for in use property, all items, except weapons, with a unit price of \$200 or less.

Signed: John F. Blake

**John F. Blake**  
**Director of Logistics**

Att

**CONCURRENCE:**

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**Lester E. Bush**  
**Director of Finance**

23 MAR 1970

                      
Date

The recommendation contained in paragraph 6 is approved.

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*for* **R. L. Bannerman**  
**Deputy Director**  
**for Support**

23 MAR 1970

                      
Date

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**SUBJECT: Proposed Increase of Dollar Value Expendability  
Criteria for Property Accounting**

**Distribution:**

**Original - OL/SD**

**(2) - DDS**

**1 - D/F**

**1 - Audit Staff**

**1 - OL Official**

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**PROBLEM:** To examine and redefine, as necessary, the expendability criteria applicable to Agency personal property

**1. FACTS BEARING ON THE PROBLEM:**

- a. As presently defined, expendable property is that materiel which is consumed in use or loses its identity in use. Nonexpendable materiel is that which is not consumed in use, retains its original identity during the period of use and is not dropped from accountable records upon issue. With the single exception of weapons, items with the foregoing definition of nonexpendable, but with an original acquisition cost of \$50 or less are classified as expendable for Financial Property Accounting (FPA) purposes.
- b. The Price Supplement and Management List of the Agency Supply Catalog reflects the expendability classification of all items contained therein. For materiel procured by Headquarters for direct shipment to Field Stations and which is not contained in the Supply Catalog, the expendability classification is indicated on the shipping document.
- c. Supply Officers are enjoined to afford adequate protection and to establish such controls as they deem reasonable and proper for any item having personal appeal regardless of dollar value or expendability criteria.
- d. The Agency Logistics System will be converted to an automated system allowing a greater amount of storage, manipulation and retrieval of information than is currently possible. This system will afford increased control of property as well as greater opportunities for the management of property, particularly stock.
- e. The expendability criteria of other Government agencies vary from \$10 or less used by the U.S. Air Force to \$200 used by the U.S. Army for Capital (plant) Property. The U.S. Navy includes industrial production equipment having a first unit cost of up to \$499, while GSA uses a straight \$50 criterion to differentiate between expendable and nonexpendable property. (See Tab A.)

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- f. Presently, using the \$50 expendability criterion, Supply Division records 15,000 line item entries with a dollar value of 48.9 million for Headquarters Property-In-Use (PIU) Accounts and Type III station property. All such property is considered to be "In-Use." If the expendability criterion was changed from \$50 to \$100, the number of accountable line entries for PIU and Type III activities would be reduced by 25 percent while the dollar value of items recorded would decrease by approximately 3 percent. The application of \$200 as the expendability criterion would decrease line item entries by 49 percent while reducing dollar value of items recorded by 13 percent. (See Tab B.)
- g. Certain components such as Technical Services Division (TSD), Office of Communications (OC), Office of Security (OS), and Office of Medical Services (OMS) have established "technical cognizance" over specific items within the Logistics System. The procurement, reorder, stocking and issuing of these designated items are accomplished only with the approval of the Office concerned.
- h. In March 1967, Headquarters authorized the Vietnam Station (a Type I FPA activity) to utilize the \$200 acquisition cost criterion for all categories of property, including weapons, to differentiate between expendable and nonexpendable items. This special authorization was granted in view of the war-time conditions in Vietnam.

2. DISCUSSION:

- 25X1 a. Every effort should be made to reduce the number of line items carried on the FPA records at Type II and Type III installations to reduce the administrative workload in the field. The greater majority of the ☐ Type II installations do not normally have a supply specialist assigned and there are no supply specialists
- 25X1 assigned to any of the ☐ Type III installations. Significant workload reduction at Type II and Type III installations would ease the BALPA and OPRED impact in that they would be left with little more than vehicles on their FPA records. Most

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items valued above \$200, except for vehicles and major equipment items, would be maintained on the accountable records of area support installations (TSD and OC) that are staffed with supply specialists. The 11 Type I field installations would experience similar relief, although on a lesser scale.

- b. No data is available to determine the precise effect of a change in expendability criteria on Type I or Type II installations. It can be assumed, however, that the reduction percentages would be similar to those for Headquarters and Type III activities. The primary advantage of reducing the number of line items recorded in the FPA system is measured in terms of accounting man-hours and is in direct relationship to the number of line items for which FPA records must be maintained. The primary disadvantage is that it will "free" many personal appeal type items from formal accountability. Many models of such items as transistor radios, cameras, watches, tape recorders (not having a cognizant code), and other administrative and operational items would be excluded from formal property accountability. However, adequate control measures, at the issue point, will be instituted to properly control such items to insure against misappropriation of Government property. This will be accomplished at the local level with hand receipt issue regardless of expendability criteria. Weapons of course are presently included as nonexpendable and this is well defined and understood.
- c. Efficiency is served by reducing the number of items subject to control at Headquarters for Headquarters PIU and Type III accountings. Headquarters is responsible for the recording, reconciling and maintenance of accountable records for "In-Use Property" for 90 Memorandum Receipt Accounts at Headquarters and for ☐ installations operating under Type III procedures. As more installations are converted or established as Type III, a trend which is expected to continue, the workload at Headquarters will increase. A reduction in the number of items to be controlled will tend to offset increases.

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- d. Financial recordkeeping would be appreciably reduced in certain areas, notably in the reconciliation of Type II FPA accounts, and in the preparation and forwarding of Schedule of Shipment documents to those activities.
- e. Attempting to model the Agency criteria for expendability on those utilized by other Government agencies is considered impractical. Each agency surveyed differs and their definitions of expendability are so complicated and cumbersome that to apply them to this Agency would defeat our goal of simplicity and flexibility. The General Accounting Office Policy and Procedure Manual for guidance of Federal agencies on the subject of expendability states:

"Such criteria should be defined in terms of identifiable property units or dollar minimums below which expenditures for acquisitions will be accounted for as current operating costs rather than as investments in property.

"The use of dollar minimums for some kinds of property is a practical device that may be used to avoid unnecessarily detailed property accounting for items that are too small to warrant such accounting. No uniform minimum is prescribed for Federal agencies."

- f. Any change which is made will not materially affect the control of a large segment of Organization Property under the technical cognizance of OC and TSD, since these entities maintain controls based on sensitivity and details of use on operations. Regardless of a rise in the monetary value of the expendability criteria, these controls are expected to be retained and with the advent of a more sophisticated automated system, information retrieval will be more readily available for such control purposes.

3. CONCLUSION:

A 49 percent reduction in the number of line items maintained on accountable PIU records with a corresponding decrease of only 13 percent in the dollar value of property controlled by formal accountable records appears to be a reasonable and efficient



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approach to reducing support recordkeeping requirements overseas and at Headquarters. Control of personal appeal or sensitive type items, regardless of value, will be continued at the user level.

4. RECOMMENDATION:

Based on the foregoing, it is recommended that materiel having an original acquisition cost of \$200 or less, with the exception of weapons, be classified as expendable for formal property accounting purposes.

TAB A.

<u>Organization</u>	<u>Unit Cost of Non-expendable Property</u>	<u>Remarks</u>
USMC	\$200	Certain expendable items determined by the local command to be highly pilferable, classified or in short supply are carried on the stock records with nonexpendable items. Custodial receipt control will be maintained for such items.
USAF	\$10	Items which become part of a higher assembly during periods of use are considered <u>expendable</u> regardless of cost.
NAVY	\$200 - Plant Property (Class 3) - defined as equipment other than industrial production equipment.	<p>Included as nonexpendable items regardless of cost are electronic test benches, work benches and layout tables used in printing plants.</p> <p><u>Excluded</u> property regardless of cost; vessels, aircraft and equipment thereon; returnable and cargo containers; expendable ordnance and ammunition; ordnance equipment used for testing other ordnance equipment; special tooling (nonstandard); loose hand tools including those in kits and sets; office, factory and classroom furniture (other than insulated combination lock safe files); quarters furniture; hand carts; hand trucks and hand hoists; research equipment; property in possession of mobile units of the operating forces on basis of authorized allowance lists, cryptographic and ancillary equipment, industrial type storage batteries; and livestock.</p>

TAB A.

<u>Organization</u>	<u>Unit Cost of Non-expendable Property</u>	<u>Remarks</u>
ARMY	<p>\$200 - Capital (Plant) Property</p> <p>\$25 - Minor non-expendable supplies. (not defined)</p> <p>The physical characteristics of an item, rather than its unit price will normally be the basis of its classification as expendable.</p>	<p>Capital (Plant) Equipment - Consists of machinery, equipment, furniture, vehicles, machine tools, production equipment, etc., used or capable of use in the manufacture of supplies, or in the performance of services, or for any administrative or general plant purposes.</p> <p>Property classified as EXPENDABLE consumable supplies, component parts and assemblies, and equipment <u>under \$10</u>, athletic supplies, tools and equipment of minor value. All supplies <u>not covered by this definition</u> are classed as NONEXPENDABLE.</p>
NSA	\$200	<p>Nonexpendable property consists of machinery, equipment, furniture, vehicles, machine tools, and accessory and auxiliary items but <u>excluding special tools</u>. Specifically <u>included</u> due to operational importance or for control purposes, e.g., <u>typewriters and office machines</u>, regardless of cost.</p>
GSA	\$50	<p>Classified as "Personal Charge" are certain 'desk top' items regardless of unit cost.</p>

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QUESTIONS FROM MR. COFFEY  
RE \$200 EXPENDABILITY PAPER

Question: 1. Don't we need a regulation change?

Answer: No, the criteria for expendability is not included in any present regulation nor has it ever been. [ ] identifies the functional responsibility of the Director of Logistics in this matter:

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"Coordinate and compile requirements for equipment and supplies essential for Agency operations, including the development, maintenance, and distribution of a Supply Catalog, development of supply programs, stock levels, production capacity requirements, and controlled-materials programs requirements; and determine initial procurement quantities."

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[ ] identifies the Supply Catalog including the fact that the classification information identifies items as expendable or nonexpendable without reference to criteria.

"SUPPLY CATALOG. The Supply Catalog provides property identification and classification for all materiel for which there is a recurring demand or continuing need. The classification information identifies items as expendable or nonexpendable, regulated, standard, limited standard, or obsolete, as appropriate. Definitions of sterility as applied to Agency materiel and the criteria for determination of expendability are included in the Introduction of the catalog."

Question: 2. Do we need Executive Director Comptroller or OPPB approval?

Answer: No, in fact per the above regulations, this action requires only the Director of Logistics approval; however, we believe actions of this type should be submitted to the DDS as a matter of approval, information, or comments.

Question: 3. Impact on other installations?

Answer: This change will have a decided impact on Agency installations worldwide and while we have indicated this represents a 49 percent reduction in line item recording for Headquarters "property-in-use" as well as Type III stations and bases property records, we also anticipate a similar reduction in recordkeeping at all Type I and Type II field installations.

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Question: 4. How do we implement the "adequate control hand receipt of personal appeal items aspect?"

Answer: The last paragraph on the attachment which is presently used on the \$50 level will be modified in the new revision of the publication (Supply Catalog) as a part of the implementation instructions to read:

"Items classified as expendable under the \$200 or less principle include many items of personal value. To afford adequate protection to items of this nature, Supply Officers are expected to establish such controls as are deemed reasonable and proper within their respective areas of supply responsibility. Issues of such items must be controlled by hand receipts (Form 752) in the individuals' jacket files."

The best present illustration of this technique is the cast of the senior individuals who have been issued executive pen sets, either double or single, which are controlled by a hand receipt from the Building Services Branch of the Logistics Services Division. It has been and will continue to be the customary practice for individuals both at Headquarters and field prior to transfer or departure, in their out-processing to clear the Office of Finance for any financial matters and to clear the Logistics element for any items of property they have been issued.

We plan to include in the book dispatch and in the letter of instruction to all field installations, a need for a rigid application of the (personal) hand receipt technique referred to in the answer to this question.

Question: 5. How do we know what or that Commo and TSD items should be exempt?

Answer: The only exemption under this criteria at the \$200 level will continue to be weapons which is self-explanatory. This proposal, while relieving components of financial and property accounting recording of those items under \$200 does not in any way complicate or interfere with the requirements of technical offices establishing any necessary controls on the physical location and/or utilization of items identified as the technical cognizance responsibility of such components. Included in our management information codification there are presently technical office cognizant codes such as:

- |                   |   |
|-------------------|---|
| a. OC/DDS (Commo) | C |
| b. TSD/DDP        | T |
| c. OEL/DDS&T      | H |
| d. OMS/DDS        | M |

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Answer 5 (continued)

Both Commo and TSD are presently maintaining control of selected items under their cognizance by separate recording techniques completely independent of the property financial and accounting system and procedures. We have discussed the continuation of these controls with these offices in the design of the new EDP system and both Commo and TSD are planning rather extensive EDP reporting techniques to insure continuation of reporting on selected technical items for control purposes.

Again I repeat the change in criteria for expendability in no way presents any obstacles to whatever degree of technical control technical offices may wish to implement and ample provision are made in our materiel information code pattern to guarantee continuation of this policy.

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EXPENDABILITY

The expendability of the item is indicated by the column headed "EXP" in the Management List. The current definition of expendability is as follows:

NONEXPENDABLE ..... Material which is not consumed in use, retains its original identity during the period of use, and is not dropped from accountable records upon issue. All nonexpendable materiel will be identified by the code N in supply catalog publications.

EXPENDABLE ..... Materiel which is consumed in use or loses its identity in use. Expendable materiel will be identified by the code X in supply catalog publications.

With the exception of weapons, items within the above definition of non-expendable but with an original acquisition cost of \$50.00 or less will be classified as expendable for formal supply and financial purposes.

The Management List of the Supply Catalog and the Price Supplement and Management List will reflect the expendability classification for all items contained therein, whether procured locally or received from Headquarters. For materiel procured by Headquarters that is not contained in the Supply Catalog, the expendability assigned by Headquarters, as indicated by the shipping documents, will be retained.

The expendability of floor covering will be determined as follows:

a. Rugs, manufactured and procured as such are considered nonexpendable when the unit price or acquisition cost is greater than \$50.00.

b. Carpeting manufactured by the roll and procured by the yard will be considered as expendable whether permanently installed, or free laying.

✓ Items classified as expendable under the \$50.00 or less principle include many items of personal value. To afford adequate protection to items of this nature, Supply Officers are expected to establish such controls as are deemed reasonable and proper within their respective areas of supply responsibility. Issues of such items may be controlled by hand receipts in the individuals' memorandum receipt jacket files.

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Next 1 Page(s) In Document Exempt

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DD/S 70-1661

22 APR 1970

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Proposed Increase of Dollar Value Expendability  
Criteria for Property Accounting

1. I had planned to discuss this with you but will not have time since I will be departing tomorrow on leave. It is a matter you will probably want to review including the attachment back up material.

2. I think this is a step in the right direction and I propose to approve this proposal if you concur.

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*OK*  
*28 Apr 70*  
[Redacted]  
[Redacted]  
R. L. Bannerman  
Deputy Director  
for Support

Att

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DD/S 70-1661

22 APR 1970

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Proposed Increase of Dollar Value Expendability  
Criteria for Property Accounting

1. I had planned to discuss this with you but will not have time since I will be departing tomorrow on leave. It is a matter you will probably want to review including the attachment back up material.

2. I think this is a step in the right direction and I propose to approve this proposal if you concur.

"OK  
LKW  
28 Apr 70"

SIGNED R. L. Bannerman

R. L. Bannerman  
Deputy Director  
for Support

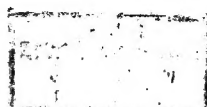
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DD/S:RLB:llc (22 Apr 70)

Distribution:

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DD/S 70-1217: Memo for DD/S frm D/L dtd 20 Mar 70 subj: Proposed Increase of Dollar Value Expendability Criteria for Property Accounting



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Ed:  
 Please review  
 & Acc me.  
 RB  
8 April

TRANSMITTAL SLIP		DATE
TO: Mr. Bannerman via Mr. Coffey		
ROOM NO.	BUILDING	
REMARKS:		
<p>Recommend your approval.</p> <p style="text-align: center;">JHP JHP</p> <p>I believe this should be approved. you may wish to advise Ekalin that it has been done. <i>Coffey</i></p>		
FROM:		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241  
 1 FEB 55

REPLACES FORM 36-8  
 WHICH MAY BE USED.

27 MAR 1970

(47)